Job Training Partnership Division

JTPA

Serving the People of California

DIRECTIVE

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TO: SERVICE DELIVERY AREA ADMINISTRATORS
PRIVATE INDUSTRY COUNCIL CHAIRPERSONS
JTPD PROGRAM OPERATORS
EDD JOB SERVICE OFFICE MANAGERS
JTPD STAFF

SUBJECT:FUNDS UTILIZATION FOR TITLE II FUNDS

EXECUTIVE SUMMARY:

Purpose:

This Directive establishes state policy and procedures for the recapture and reallotment of underobligated or underexpended Job Training Partnership Act (JTPA) Title II funds.

Scope:

Funds utilization requirements are applicable separately to the Title II-A 77 percent, Title II-A 5 percent Older Worker, Title II-B Summer Youth, and Title II-C 82 percent programs.

Effective Date:

This Directive is effective on its release date.

REFERENCES:

- JTPA Section 109
- 20 CFR Parts 626.5 and 627.410

STATE-IMPOSED REQUIREMENTS:

This document contains state-imposed requirements. These requirements are in bold italic print.

FILING INSTRUCTIONS:

This Directive replaces Interim Directive 95-04, which should be placed in an inactive file.

BACKGROUND:

In April 1986, the State Job Training Coordinating Council (SJTCC) established a policy intended to recapture and redistribute unspent discretionary funds. In April 1989, in keeping with the Governor's goal of achieving full and effective use of all resources, the SJTCC adopted a funds utilization policy for Title II-A 78 percent, Title II-A 3 percent Older Worker, and Title III funds. In February 1992, the policy was expanded to include Title II-B funds.

In April 1992, the policy was further expanded to link use of funds and performance standards to further encourage full and effective utilization of JTPA funds allocated to the state. As a result, SDAs that were subject to recapture of their 78 percent funds in two consecutive years, will have their subsequent year incentive funds reduced. (PY 1991-92 was the base [i.e., first] year upon which to track two consecutive years of recapture.)

In September 1992, Congress passed the 1992 JTPA Reform Amendments which made significant changes to the Title II-A 78 percent program. The 78 percent program was divided to create the Title II-A 77 percent adult program and the Title II-C 82 percent youth program. In addition, the Amendments included criteria designed to encourage maximum use of Title II-A 77 percent and Title II-C 82 percent funds. JTPA Section 109 mandates the recapture, at the end of the first program year, of unobligated funds that exceed 15 percent of that program year's allocation. It also mandates the reallocation of the recaptured funds to those SDAs “that have the highest rates of unemployment for an extended period of time and to those with the highest poverty rates.”

In March 1994, the SJTCC adopted a policy limiting the reallocation of recaptured Title II-A 5 percent Older Worker funds to no more than 10 SDAs that have demonstrated effectiveness in providing services to older individuals. This position was adopted in an effort to provide an incentive for good performance as well as to promote program coordination.

POLICY AND PROCEDURES:

It is the responsibility of each SDA to ensure that funds are obligated and expended appropriately at the level set by the Act. The Job Training Partnership Division (JTPD) will work with SDAs on a case-by-case basis to assist them in resolving any problems with expenditure of funds. An SDA should request technical assistance early in the program year so appropriate steps can be taken to increase obligation and/or expenditure levels.

To facilitate the achievement of the following requirements, the JTPD has:

- Established an early warning system to identify SDAs experiencing obligation or expenditure problems.
- Established uniform and accurate fiscal reporting policies and procedures.
- Established a full range of technical assistance to help SDAs that are experiencing problems in maintaining a proper level of obligation or expenditure.

I. RECAPTURE PROVISIONS

A. TITLE II-A 77 PERCENT AND TITLE II-C 82 PERCENT

The SDAs are required to obligate at least 85 percent of their program year allocation by the end of the program year (JTPA Section 109(a)). §626.5 of the Final Rule states:

> Obligations means the amounts of orders placed, contracts and subgrants awarded, goods and services received, and similar transactions during a funding period that will require payment by the recipient or subrecipient during the same or a future period.

For these programs, allocations to an SDA include:

- The allocation for that program year;
- Plus funds transferred in from another fund source (i.e., Title II-B transferred to Title II-C 82 percent); AND
- Less funds transferred out to another fund source (i.e., from Title II-A 77 percent to Title II-C 82 percent).

Funds utilization analysis will be based on fourth quarter expenditure reports due to the JTPD by August 30. Any (reported) unobligated funds that exceed 15 percent of the program year's allocation are considered excess and will be returned to the state by means of a reduction, via unilateral subgrant modification, to that program year's allocation. For example, excess unobligated PY 1994-95 funds are deobligated from the PY 1994-95 allocation.

It is important to note that any such deobligation will also reduce the amount of funds available for administration expenditures for that subgrant. <u>The reduction may create an overexpenditure in administration and result in a cost compliance issue</u>.

B. TITLE II-A 5 PERCENT OLDER WORKER FUNDS

The 85 percent obligation requirement does not apply to the Title II-A 5 percent Older Worker funds. ***However, the SDAs are required to <u>spend</u> at least 80 percent of funds available in a given program year.***

For this program only, funds available to an SDA include:

- ***The allocation for that program year; AND***
- ***Any additional funds allotted to the SDA before December 31; AND***
- ***Any funds unexpended from the previous program year (as reported on that previous program year's fourth quarter report); AND***
- ***Less any deobligations that occur before December 31 of the program year involved.***

Specifically:

- ***Funds allotted/reallocated to an SDA <u>after</u> December 31 are <u>not</u> considered part of the funds available to the SDA for the program year. (If written notification of a pending subgrant modification is issued after December 31, those funds are not included in the analysis.)***
- ***Funds deobligated on or <u>before</u> December 31 are <u>not</u> considered part of the funds available to the SDA for the program year.***

- ***Funds transferred to another funding source will <u>not</u> be counted as funds available for the originating fund source.***

As with the 77 and 82 percent funds, utilization analysis will be based on fourth quarter reports due to the JTPD on August 30. Any unexpended 5 percent older worker funds on the August 30 reports that exceed 20 percent of the program year's available funds are considered excess and will be returned to the state by means of a reduction, via unilateral subgrant modification, to that program year's allocation.

C. TITLE II-A AND TITLE II-C 8 PERCENT

Title II-A and II-C 8 percent State Education Coordination and Grants (SECG) funds that are allocated to SDAs, based on welfare caseloads, i.e., the portion available for Greater Avenues for Independence (GAIN) basic education services, are subject to the requirements of JTPA Section 109.

The California Department of Education (CDE), which administers the SECG GAIN education funds, will monitor the status of the 8 percent funds and will notify SDAs which have not obligated at least 85 percent of their program year allocation of 8 percent GAIN funds by the end of the program year. Unobligated funds in excess of 15 percent will be reallocated to those SDAs which have obligated at least 85 percent of their funds, to the extent that those SDAs are able to use the funds for additional GAIN basic education services.

D. TITLE II-B

The 85 percent <u>obligation</u> requirement does not apply to the Title II-B program. Effective October 1, 1995, funds will no longer be allocated to the states to run this program. Therefore, the following instructions are applicable only for the period of October 1, 1994 through September 30, 1995.

SDAs are required to <u>spend</u> a minimum of 80 percent of the funds available in the period of October 1, 1994, through September 30, 1995. For the Title II-B program, funds available include:

- ***The allocation for that program year; AND***
- ***Any additional funds allotted to the SDA during the program year; AND***
- ***Any funds unexpended from the previous program year; AND***
- ***Less any deobligations or transfers.***

The 80 percent expenditure requirement will be calculated based on reports due to JTPD on December 31, 1995, for the corresponding program year. The JTPD will implement the necessary recapture by a unilateral subgrant modification to the program year's allocation.

II. EFFECT OF UNDERUTILIZATION ON INCENTIVE AWARDS

An SDA which underobligates either the Title II-A 77 percent funds or the Title II-C 82 percent funds for two consecutive program years, will

experience a reduction in its subsequent program year incentive award (if any is due) for that fund source. The reduction will be proportionate to the percentage of recapture of said funds in the second of the two consecutive years. For example: if an SDA has funds recaptured for underobligations of Title II-A 77 percent funds in PY 1993-94 and PY 1994-95; the Title II-A 5 percent incentive award issued in PY 1995-96 will be reduced. If the SDA obligated 70 percent of the Title II-A 77 percent funds in year one and 75 percent in year two, the Title II-A 5 percent incentive monies due the SDA in the subsequent year will be reduced by ten percent, equal to the underobligation in the second year. These funds will then be distributed among the rest of the eligible SDAs.

III. DEOBLIGATION

SDAs may voluntarily deobligate Title II-A or Title II-C funds at any time but are encouraged to do so as early in the program year as possible. This will allow for the timely reallocation of funds to other SDAs that need additional monies.

Title II-A 5 percent older worker funds deobligated after December 31 will not reduce the amount of available funds used to calculate the 80 percent expenditure rate.

Deobligation of funds is not an option available for the Title II-B program.

IV. REALLOCATION

A. TITLE II-A 77 PERCENT AND TITLE II-C 82 PERCENT

In order to qualify for reallocated funds, the SDAs must meet the 85 percent minimum obligation. In addition, an SDA must meet at least one of the two federal eligibility requirements per JTPA Section 109(3):

1. Highest unemployment rate: ***An SDA will be considered as having the highest unemployment rate if its average unemployment rate for the program year is at least 125 percent of the average unemployment rate for the state in the program year subject to recapture.***
2. Highest poverty rate: ***An SDA will be considered as having the highest poverty rate if its poverty rate for the program year is at least 125 percent of the state's poverty rate for the program year subject to recapture.***

Note: Both of the above are calculated by the Employment Development Department's Labor Market Information Division.

Additionally, reallocation will occur only if the SDA desires the additional funds. The JTPD will survey eligible SDAs and implement unilateral subgrant modifications to reallocate funds based on survey results. Funds must be retained in the year of allocation, i.e., recaptured PY 94-95 funds will be reallocated to the PY 94-95 subgrant.

B. TITLE II-A 5 PERCENT OLDER WORKER FUNDS

The SJTCC will select 10 of the SDAs that meet the 80 percent minimum expenditure requirement to share the recaptured excess unexpended funds. The selected SDAs must have demonstrated effectiveness in providing training and employment services to older individuals, as determined by the SJTCC. The JTPD will implement unilateral subgrant modifications to reallocate funds based on SJTCC recommendations.

C. TITLE II-B

Recaptured funds will be distributed to all eligible SDAs, via a formula based on SDA size. Funds will be reallocated to the program year upon which the analysis is based. <u>In addition, for this last program year, the JTPD will survey eligible SDAs and will implement unilateral subgrant modifications to reallocate funds based on the results of the survey.</u>

V. WAIVER

No waiver shall be granted to the 85 percent obligation requirement for Titles II-A 77 percent and II-C 82 percent programs. A waiver to the Title II-A 5 percent Older Worker and the Title II-B Summer Youth 80 percent expenditure requirement may be granted, in the event of exceptional circumstances that are beyond the control of the SDA, on a case-by-case basis. Waiver requests must be submitted, in writing, to the Chief of the JTPD by the end of the program year. Title II-A 5 percent Older Worker requests must be submitted by June 30 while Title II-B requests must have been submitted by September 30 (as required under previous procedures).

Waiver requests should contain sufficient detail to demonstrate that the exceptional circumstances were beyond the control of the SDA. The request should clearly state how the exceptional circumstances made it impossible for the SDA to meet the required expenditure level. The request should also state the dollar amount of waiver desired.

ACTION:

It is the SDA's responsibility to establish, maintain and exercise ongoing controls to ensure compliance with these requirements.

INQUIRIES:

Please direct questions about this Directive to June DeVoe of the Data Analysis Unit, at (916) 654-8298.

/S/ KATHY SAGE
Chief